

CITY OF TOLEDO, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
June 30, 2004**

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CITY OF TOLEDO

City Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
William Christensen	Mayor	December 31, 2005
Pete Zmolek	Council Member	December 31, 2005
Dan Ferris	Council Member	December 31, 2007
Donna Princehouse	Council Member	December 31, 2007
Elmer (Skip) Wilson	Council Member	December 31, 2005
Harry Gardner, Jr.	Council Member	December 31, 2005
Carolyn Brownfield	Clerk/Treasurer	Indefinite
Steve Kenkel	Attorney	Indefinite

CITYOFTOLEDO

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of the City of Toledo, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City of Toledo's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Toledo's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2004, and its indebtedness at June 30, 2004, on the basis of accounting described in Note 1.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Difference*, for the fiscal year ending June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 5, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information on pages 29 through 31 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

City management has selected to omit the Management's Discussion and Analysis which, while not a required part of the basic financial statements, is supplementary information required by the Government Accounting Standards Board. Omission of this required supplemental information should be considered in reviewing the cash basis financial position and the results of activities of the City of Toledo as of June 30, 2004 and for the year then ended.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements that collectively comprise the City of Toledo's basic financial statements. We previously audited, in accordance the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, 2002, and 2001 (none of which are presented herein) and expressed an unqualified opinion on those financial statements on the basis of accounting described in Note 1. The supplemental information, included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned basic financial statement taken as a whole.

Clifton Gunderson LLP

Cedar Rapids, Iowa
August 5, 2004

BASICFINANCIALSTATEMENTS

CITY OF TOLEDO

Statement of Activities and Net Assets - Cash Basis

As of and For the Year Ended June 30, 2004

	<u>Dis-</u> <u>bursements</u>
FUNCTIONS/PROGRAMS:	
Governmental activities:	
Public safety	\$ 370,519
Public works	277,218
Culture and recreation	306,754
Community and economic development	204,155
General government	268,226
Debt service	287,311
Capital projects	<u>962,651</u>
Total governmental activities	<u>2,676,834</u>
Business type activities:	
Water	265,380
Sewer	178,163
Solid waste	<u>25,562</u>
Total business type activities	<u>469,105</u>
Total	<u>\$ 3,145,939</u>
GENERAL RECEIPTS:	
Property taxes levied for:	
General purposes	
Employee benefits	
Tax increment financing	
Debt service	
Other city tax	
Local options sales tax	
Grants and contributions not restricted to specific purpose	
Unrestricted interest on investments	
Miscellaneous	
Transfers	
Total general receipts	

<u>Program Receipts</u>			<u>Net (Disbursements) Receipts and Change in Cash Basis Net Assets</u>		
<u>Charges for Services</u>	<u>Operating Grants, Contri- butions, and Restricted Interest</u>	<u>Capital Grants, Contri- butions, and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 171,609	\$ 27,927	\$ -	\$ (170,983)	\$ -	\$ (170,983)
17,583	225,800	-	(33,835)	-	835)
4,325	8,379	6,617	(287,433)	-	(287,433)
1,662	-	-	(202,493)	-	(202,493)
23,724	9,525	-	(234,977)	-	(234,977)
-	-	-	(287,311)	(2	87,311)
167	13,222	734,047	(215,215)	-	(215,215)
219,070	284,853	740,664	(1,432,247)	-	(1,432,247)
203,683	13,153	-	-	(48,544)	(48,544)
176,098	15,273	-	-	13,208	13,208
10,000	255	-	-	(15,307)	(15,307)
389,781	28,681	-	-	(50,643)	(50,643)
<u>\$ 608,851</u>	<u>\$ 313,534</u>	<u>\$ 740,664</u>	<u>\$(1,432,247)</u>	<u>\$ (50,643)</u>	<u>\$(1,482,890)</u>
			447,076	-	447,076
			187,634	-	187,634
			64,186	-	64,186
			133,580	-	133,580
			73,737	-	73,737
			101,413	-	101,413
			9,970	-	9,970
			12,790	-	12,790
			24,667	-	24,667
			75,338	(75,338)	-
			1,130,391	(75,338)	1,055,053

(continued)

CITYOFTOLEDO

StatementofActivitiesandNetAssets-CashBasis

AsofandFortheYearEndedJune30,2004

**Dis -
bursements**

CASHBASISINNETASSETS:

Restricted:
 Streets
 UrbanRenewal
 Debtsservice
 Otherpurposes
Unrestricted

CHANGEINCASHBASISNETASSETS

CASHBASISNETASSETS,BEGINNING

CASHBASISNETASSETS,ENDING

	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Change in Cash Basis Net Assets</u>		<u>Total</u>
	<u>Operating Grants, Contri- butions, and Restricted Interest</u>	<u>Capital Grants, Contri- butions, and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	
<u>Charges for Services</u>					
			\$ 118,019	\$ -	\$ 118,019
			265,438	-	265,438
			20,911	302,035	322,946
			351,458	-	351,458
			<u>157,614</u>	<u>306,054</u>	<u>463,668</u>
			\$ <u>913,440</u>	\$ <u>608,089</u>	\$ <u>1,521,529</u>
			(301,856)	(125,981)	(427,837)
			<u>1,215,296</u>	<u>734,070</u>	<u>1,949,366</u>
			\$ <u>913,440</u>	\$ <u>608,089</u>	\$ <u>1,521,529</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF TOLEDO

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Governmental Funds

As of and For the Year Ended June 30, 2004

	<u>General</u>	<u>Road Use Tax</u>
RECEIPTS:		
Property tax	\$ 447,076	\$ -
Tax increment financing collections	-	-
Other city tax	59,621	-
Licenses and permits	22,974	-
Use of money and property	6,966	-
Intergovernmental	15,777	211,467
Charges for services	43,398	-
Special assessments	14,032	-
Miscellaneous	<u>71,570</u>	<u>-</u>
Total receipts	<u>681,414</u>	<u>211,467</u>
DISBURSEMENTS:		
Operating:		
Public safety	300,404	606
Public works	38,735	191,627
Culture and recreation	264,462	-
Community and economic development	16,170	-
General government	221,513	-
Debt services	-	-
Capital projects	-	-
Business activities:		
Water	-	-
Sewer	<u>-</u>	<u>-</u>
Total disbursements	<u>841,284</u>	<u>192,233</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(159,870)</u>	<u>19,234</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	250,338	-
Operating transfers out	<u>(24,543)</u>	<u>-</u>
Net other financing sources (uses)	<u>225,795</u>	<u>-</u>
CHANGE IN CASH BALANCE	65,925	19,234
CASH BALANCE, BEGINNING	<u>91,689</u>	<u>98,785</u>
CASH BALANCE, ENDING	<u>\$ 157,614</u>	<u>\$ 118,019</u>

<u>SpecialRevenue</u>			<u>Capital Projects</u>		<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Employee Benefits</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Community Building Project</u>			
\$ 187,634	\$ -	\$ 133,580	\$ -	\$ -		\$ 768,290
-	64,186	-	-	-	64,18	6
8,395	-	5,720	-	101,413	175,149	
-	-	-	-	22,9		74
898	9,967	317	1,017	5,237	24,402	
-	-	-	-	227,		244
-	-	-	4,376	47,774		
-	-	-	-	14,0		32
<u>12,724</u>	<u>-</u>	<u>-</u>	<u>733,897</u>	<u>137,398</u>		<u>955,589</u>
<u>209,651</u>	<u>74,153</u>	<u>139,617</u>	<u>734,914</u>	<u>248,424</u>		<u>2,299,640</u>
66,509	-	-	-	3,000	370,519	
46,856	-	-	-	-	277,2	18
27,283	-	-	-	15,009	306,75	4
-	-	-	-	187,985	204,	155
46,209	-	-	-	504	268,226	
-	-	287,311	-	-	287,	311
-	-	-	838,736	123,915	962,	651
17,562	-	-	-	-	17,56	2
<u>39,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,747</u>
<u>244,166</u>	<u>-</u>	<u>287,311</u>	<u>838,736</u>	<u>330,413</u>		<u>2,734,143</u>
<u>(34,515)</u>	<u>74,153</u>	<u>(147,694)</u>	<u>(103,822)</u>	<u>(81,989)</u>		<u>(434,503)</u>
57,309	-	147,694	60,568	178,743	694,65	2
<u>-</u>	<u>(258,480)</u>	<u>-</u>	<u>-</u>	<u>(278,982)</u>		<u>(562,005)</u>
<u>57,309</u>	<u>(258,480)</u>	<u>147,694</u>	<u>60,568</u>	<u>(100,239)</u>		<u>132,647</u>
22,794	(184,327)	-	(43,254)	(182,228)		(301,856)
<u>121,524</u>	<u>449,765</u>	<u>20,911</u>	<u>43,254</u>	<u>389,368</u>		<u>1,215,296</u>
<u>\$ 144,318</u>	<u>\$ 265,438</u>	<u>\$ 20,911</u>	<u>\$ -</u>	<u>\$ 207,140</u>		<u>\$ 913,440</u>

(continued)

CITY OF TOLEDO

**Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances - Governmental Funds**

As of and For the Year Ended June 30, 2004

	<u>General</u>	<u>Road Use Tax</u>
CASH BASIS FUND BALANCE:		
Reserved:		
Debt Service	\$ -	\$ -
Unreserved:		
General	157,614	-
Special revenue funds	-	118,019
Capital projects funds	<u>-</u>	<u>-</u>
Total cash basis fund balance	\$ <u><u>157,614</u></u>	\$ <u><u>118,019</u></u>

<u>SpecialRevenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>		<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Employee Benefits</u>	<u>Tax Increment Financing</u>		<u>Community Building Project</u>			
\$ -	\$ -	\$ 20,911	\$ -	\$ -		20,911
-	-	-	-	157,6		14
144,318	265,438	-	-	182,661	710,4	36
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,479</u>	<u>24,479</u>	
<u>\$ 144,318</u>	<u>\$ 265,438</u>	<u>\$ 20,911</u>	<u>\$ -</u>	<u>\$ 207,140</u>		<u>\$ 913,440</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF TOLEDO

**Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances-Proprietary Funds**

As of and For the Year Ended June 30, 2004

	<u>Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Sewer Sinking</u>
OPERATING RECEIPTS:			
Charges for services	\$ 190,380	\$ 170,900	\$ -
Miscellaneous	<u>21,823</u>	<u>13,452</u>	<u>-</u>
Total operating receipts	212,203	<u>184,352</u>	<u>-</u>
OPERATING DISBURSEMENTS:			
Business type activities:			
Water	172,967	-	-
Sewer	-	138,416	-
Solid waste	<u>-</u>	<u>-</u>	<u>-</u>
Total operating disbursements	172,967	<u>138,416</u>	<u>-</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>39,236</u>	<u>45,936</u>	<u>-</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	1,895	3,962	3,058
Debt service	<u>-</u>	<u>-</u>	<u>-</u>
Net nonoperating receipts (disbursements)	<u>1,895</u>	<u>3,962</u>	<u>3,058</u>
Excess (deficiency) of receipts over (under) disbursements	<u>41,131</u>	<u>49,898</u>	<u>3,058</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	75,472	-	3,167
Operating transfers out	<u>(42,898)</u>	<u>(190,557)</u>	<u>-</u>
Net other financing sources (uses)	32,574	<u>(190,557)</u>	<u>3,167</u>

<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
\$ 10,000	\$ 371,280
<u>-</u>	<u>35,275</u>
<u>10,000</u>	<u>406,555</u>
-	172,967
-	138,416
<u>25,562</u>	<u>25,562</u>
<u>25,562</u>	<u>336,945</u>
<u>(15,562)</u>	<u>69,610</u>
2,992	11,907
<u>(74,851)</u>	<u>(74,851)</u>
<u>(71,859)</u>	<u>(62,944)</u>
<u>(87,421)</u>	<u>6,666</u>
22,169	100,808
<u>-</u>	<u>(233,455)</u>
<u>22,169</u>	<u>(132,647)</u>

(continued)

CITY OF TOLEDO

**Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances-Proprietary Funds**

As of and For the Year Ended June 30, 2004

	<u>Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Sewer Sinking</u>
NET CHANGE IN CASH BALANCE	\$ 73,705	\$ (140,659)	\$ 6,225
CASH BALANCE, BEGINNING	<u>87,304</u>	<u>270,741</u>	<u>250,255</u>
CASH BALANCE, ENDING	\$ <u>161,009</u>	\$ <u>130,082</u>	\$ <u>256,480</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Debt service	\$ -	\$ -	\$ 256,480
Unreserved	<u>161,009</u>	<u>130,082</u>	<u>-</u>
Total cash basis fund balance	\$ <u>161,009</u>	\$ <u>130,082</u>	\$ <u>256,480</u>

<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
\$ (65,252)	\$ (125,981)
<u>125,770</u>	<u>734,070</u>
<u>\$ 60,518</u>	<u>\$ 608,089</u>
\$ 45,555	\$ 302,035
<u>14,963</u>	<u>306,054</u>
<u>\$ 60,518</u>	<u>\$ 608,089</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF TOLEDO

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Toledo is a political subdivision of the State of Iowa located in Tama County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, accounts, groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City has no component units. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include (1) the ability of the governing body to appoint or remove the appointing authority, and (2) the potential for the organization to impose its will on that organization or (3) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Jointly Governed Organization

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest by the participating governments. City officials are members of the following Boards and Commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County E911 Service Board and Tama County Solid Waste Disposal Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net assets are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

CITY OF TOLEDO

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 10 charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as one major governmental fund.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Employee Benefits Fund is used to account for benefits paid to employees.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Utility fund accounts for the operation and maintenance of the City's water system.

The Sewer Utility Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewers system.

The Sewer Sinking Fund accounts for the payment of interest and principal on sewer long-term debt.

CITY OF TOLEDO

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The City of Toledo maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to account receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. Generally Accepted Accounting Principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the general government function.

(2) Deposits and Investments

The City's deposits at June 30, 2004, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bank deposits; bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drained district.

The City has no investments as of June 30, 2004 as all ending fund balances are deposited in checking, money market accounts, or certificates of deposit.

CITY OF TOLEDO

Notes to Financial Statements

June 30, 2004

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, water revenue bonds, and general obligation notes are as follows:

Year Ending June30	GeneralObligation		GeneralObligation		Water			
	Bonds		Notes		RevenueBonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 90,000	\$ 15,457	\$ 132,324	\$ 44,579	\$ 16,564	\$ 18,287	\$ 238,888	\$ 78,323
2006	90,000	10,905	159,453	37,980	17,392	17,459	266,845	66,344
2007	100,000	6,300	180,851	29,756	18,261	16,590	299,112	52,646
2008	20,000	1,080	132,317	20,341	19,175	15,676	171,492	37,097
2009	-	-	144,853	13,455	20,133	14,718	164,986	28,173
2010	-	-	35,460	5,854	21,140	13,711	56,600	19,565
2011	-	-	37,145	4,169	22,197	12,654	59,342	16,823
2012	-	-	48,981	2,405	23,307	11,544	72,288	13,949
2013	-	-	-	24,472	1,0379	0,379	24,472	10,379
2014	-	-	-	25,696	9,155	,155	25,696	9,155
2015	-	-	-	26,981	7,870	,870	26,981	7,870
2016	-	-	-	28,330	6,521	,521	28,330	6,521
2017	-	-	-	29,746	5,105	,105	29,746	5,105
2018	-	-	-	31,233	3,618	,618	31,233	3,618
2019	-	-	-	32,795	2,056	,056	32,795	2,056
2020	-	-	-	8,324	416	6	8,324	416
2021	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-
Total	\$ 300,000	\$ 33,742	\$ 871,384	\$ 158,539	\$ 365,746	\$ 165,759	\$1,537,130	\$ 358,040

The 1983 water revenue bond resolution provides that the principal and interest must be paid solely out of the net earnings of the municipal waterworks plant and system. It also provides that a sum equal to one hundred percent of the principal and interest due the succeeding July 1 be deposited in twelve monthly installments prior to such July 1. In addition, the resolution establishes a reserve requirement in an amount equal to the maximum amount of principal and interest coming due in the succeeding fiscal year be deposited in the twelve monthly installments equal to ten percent of the aforementioned required sinking fund deposit. As of June 30, 2004, the City has established the depository accounts required by the bond resolution for the water revenue bonds.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

CITY OF TOLEDO

Notes to Financial Statements

June 30, 2004

(4) Pension and Retirement Benefits (continued)

Plan members are required to contribute 3.70% of the annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$33,731, \$31,430, and \$30,101, respectively, equal to the required contributions for each year.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of the salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

(5) Compensated Absences

City employees accumulate vacation and sick leave hours based on the length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 90 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the City until used or paid. The City was liable for \$6,411 in accumulated vacation time. This liability has been computed based on the rate of pay as of June 30, 2004.

CITY OF TOLEDO

Notes to Financial Statements

June 30, 2004

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue: Ambulance Fund	\$ <u>175,000</u>
Special Revenue: Employee Benefit	Enterprise: Water Utility Sewer Utility	<u>17,562</u> <u>39,747</u> <u>57,309</u>
Debt Service	General Special Revenue: Tax Increment Financing	<u>15,388</u> <u>132,306</u> <u>147,694</u>
Capital Projects: Housing Project	Special Revenue: Tax Increment Financing Capital Projects: Storm Sewer Project	<u>74,761</u> <u>79,828</u> <u>154,589</u>
Capital Projects: Reinig Estate	General Special Revenue: Tax Increment Financing	<u>9,155</u> <u>51,414</u> <u>60,569</u>
Capital Projects: Library	Special Revenue: Gift Trust	<u>24,154</u>
Enterprise: Water Utility	Enterprise: Sewer Utility	<u>75,472</u>
Enterprise: Water Sinking	Enterprise: Water Utility	<u>22,169</u>
Enterprise: Sewer Sinking	Enterprise: Water Utility	<u>3,167</u>
General	Enterprise: Sewer Utility	<u>75,338</u>
		\$ <u>795,461</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse these resources.

CITY OF TOLEDO

Notes to Financial Statements

June 30, 2004

(7) Anticipatory Warrants

Anticipatory warrants which are legally drawn on City funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption.

The City has issued \$50,651 in anticipatory warrants, at 2.25% interest per annum, for swimming pool construction. As of June 30, 2004, there have been no anticipatory warrants redeemed, leaving an unpaid balance at June 30, 2004 of \$50,651.

(7) Budget Overexpenditure

Section 384 of the Code of Iowa states disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2004, disbursements in the capital projects and debt service function exceeded the amounts budgeted.

(8) Landfill Commitment

The City of Toledo participates in a 28E organization with Tama County and other cities in Tama County. This organization is the Tama County Solid Waste Disposal Commission. The estimated cost of closure and post closure care is approximately \$1,047,325. The City of Toledo will share in these costs on a per capita basis with the other organizations in the 28E organization. The City's share of these estimated costs is \$132,269.

(9) Risk Management

The City of Toledo is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Interfund Loan

On December 14, 1994 the City council approved a \$8,997 interfund loan from Enterprise Fund-Sewer Utility to Capital Projects-Housing Project. There were no repayments as of June 30, 2004. A nine percent rate is being charged with the funds to be repaid from tax increment financing funds.

(11) Subsequent Events

In August of 2004, the City issued \$1,005,000 of general obligation aquatic center notes, Series 2004A and issued \$400,000 general obligation aquatic center notes, Series 2004B.

CITY OF TOLEDO

Notes to Financial Statements

June 30, 2004

(12) Commitments

The City of Toledo, in a joint venture with the City of Tama, entered into contracts for the construction of an aquatic center with two companies totaling \$2,578,432. The City of Toledo is liable for 50% of that amount. The project will be financed by general obligation notes.

At June 30, 2004, the City had other various capital projects in progress. The outstanding contracts for these projects totaled \$345,173 at June 30, 2004.

(12) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments; Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the city's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are represented in total in one column.

REQUIRINGSUPPLEMENTARYINFORMATION

CITY OF TOLEDO

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget to Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Required Supplementary Information

Year Ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
RECEIPTS:		
Property tax	\$ 768,290	\$ -
Tax increment financing collections	64,186	-
Other city tax	175,149	-
Licenses and permits	22,974	-
Use of money and property	24,402	11,907
Intergovernmental	227,244	-
Charges for services	47,774	371,280
Special assessments	14,032	-
Miscellaneous	<u>955,589</u>	<u>35,275</u>
Total receipts	<u>2,299,640</u>	<u>418,462</u>
DISBURSEMENTS:		
Public safety	370,519	-
Public works	277,218	-
Culture and recreation	306,754	-
Community and economic development	204,155	-
General government	268,226	-
Debt service	287,311	74,851
Capital projects	962,651	-
Business type activities	<u>57,309</u>	<u>336,945</u>
Total disbursements	<u>2,734,143</u>	<u>411,796</u>
Excess (deficiency) of receipts over (under) disbursements	(434,503)	6,666
OTHER FINANCING SOURCES (USES), NET	<u>132,647</u>	<u>(132,647)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(301,856)	(125,981)
BALANCE, BEGINNING OF YEAR	<u>1,215,296</u>	<u>734,070</u>
BALANCE, END OF YEAR	<u>\$ 913,440</u>	<u>\$ 608,089</u>

Less Fundsnot Requiredto beBudgeted		BudgetedAmounts		Finalto Net Variance
	<u>Net</u>	<u>Original</u>	<u>Final</u>	
\$ -	\$ 768,290	\$ 754,196	\$ 754,196	\$ 14,094
-	64,186	62,200	62,200	1,986
-	175,149	144,798	167,266	7,883
-	22,974	5,870	5,870	17,104
-	36,309	30,223	51,223	(14,914)
-	227,244	269,754	307,254	(80,010)
-	419,054	624,400	633,400	(214,346)
-	14,032	63,000	63,000	(48,968)
-	<u>990,864</u>	<u>934,618</u>	<u>934,618</u>	<u>56,246</u>
-	<u>2,718,102</u>	<u>2,889,059</u>	<u>2,979,027</u>	<u>(260,925)</u>
-	370,519	362,011	377,511	6,992
-	277,218	280,069	315,769	38,551
-	306,754	234,169	467,307	160,553
-	204,155	15,876	204,578	423
-	268,226	347,699	347,699	79,473
-	362,162	287,012	287,012	(75,150)
-	962,651	825,000	1,097,655	135,004
-	<u>394,254</u>	<u>495,233</u>	<u>495,233</u>	<u>100,979</u>
-	<u>3,145,939</u>	<u>2,847,069</u>	<u>3,592,764</u>	<u>446,825</u>
-	(427,837)	41,990	(613,737)	185,900
-	<u>-</u>	<u>-</u>	<u>231,840</u>	<u>(231,840)</u>
-	(427,837)	41,990	(381,897)	(45,940)
-	<u>1,949,366</u>	<u>1,825,674</u>	<u>1,825,674</u>	<u>123,692</u>
\$ -	<u>\$ 1,521,529</u>	<u>\$ 1,867,664</u>	<u>\$ 1,443,777</u>	<u>\$ 77,752</u>

CITY OF TOLEDO

Notes to Required Supplementary Information- Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council following required public notice and hearing for all Fiduciary Funds. The annual budget may be amended prescribed procedures.

il annually adopts a budget on the cash basis
l funds except Internal Service Funds and
during the year utilizing similarly statutorily

Formal and legal budgetary control is based upon ten functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community debt service, capital projects, business type activities, and non-program. Function disbursements required to be budgeted included disbursements for the General Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year a budget amendment increased budgeted disbursements by \$745,695. The budget amendments are reflected in the final budgeted amounts.

n major classes of disbursements known as
ctions are: public safety, public works, health and
and economic development, general government,
ities, and non-program. Function disbursements
he General Fund, Special Revenue Funds, Debt
ry Funds. Although the budget document
level of control is at the aggregated function
ment increased budgeted disbursements by
he final budgeted amounts.

During the year ended June 30, 2004, disbursements service and capital projects functions.

exceeded the amounts budgeted in the debt

OTHER SUPPLEMENTARY INFORMATION

CITY OF TOLEDO

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances

Nonmajor Governmental Funds

As of and For the Year Ended June 30, 2004

	<u>Special Revenue</u>			
	<u>Local Option Sales Tax</u>	<u>Ambulance Equipment</u>	<u>Gift Trust</u>	<u>Fire Equipment</u>
RECEIPTS:				
Other city tax	\$ 101,413	\$ -	\$ -	
Use of money and property	55	1,955	967	272
Charges for services	-	-	4	,209
Miscellaneous	<u>-</u>	<u>120,414</u>	<u>6,617</u>	<u>-</u>
Total receipts	<u>101,468</u>	<u>122,369</u>	<u>7,584</u>	<u>4,481</u>
DISBURSEMENTS:				
Operating:				
Public safety	-	-	3,000	
Culture and recreation	-	15,009		-
Community and economic development	-	-		-
General government	-	-	-	
Capital projects	<u>99,761</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>99,761</u>	<u>-</u>	<u>15,009</u>	<u>3,000</u>
Excess (deficiency) of receipt over (under) disbursements	<u>1,707</u>	<u>122,369</u>	<u>(7,425)</u>	<u>1,481</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-		-
Operating transfers out	<u>-</u>	<u>(175,000)</u>	<u>(24,154)</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>(175,000)</u>	<u>(24,154)</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	1,707	(52,631)	(31,579)	1,481
CASH BALANCE, BEGINNING	<u>-</u>	<u>136,645</u>	<u>101,496</u>	<u>25,542</u>
CASH BALANCE, ENDING	<u>\$ 1,707</u>	<u>\$ 84,014</u>	<u>\$ 69,917</u>	<u>\$ 27,023</u>
CASH BASIS FUND BALANCE:				
Unreserved:				
Special revenue funds	\$ 1,707	\$ 84,014	\$ 69,917	\$ 27,023
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 1,707</u>	<u>\$ 84,014</u>	<u>\$ 69,917</u>	<u>\$ 27,023</u>

Capital Projects			
<u>Housing Project</u>	<u>Library</u>	<u>Storm Sewer Project</u>	<u>Totals</u>
\$ - \$	- \$	- \$	101,413
137	-	1,851	5,237
-	-	167	4,376
<u>10,367</u>	<u>-</u>	<u>-</u>	<u>137,398</u>
<u>10,504</u>	<u>-</u>	<u>2,018</u>	<u>248,424</u>
-	-	-	3,000
-	-	-	15,009
187,985	-	-	187,985
-	-	504	504
<u>-</u>	<u>24,154</u>	<u>-</u>	<u>123,915</u>
<u>187,985</u>	<u>24,154</u>	<u>504</u>	<u>330,413</u>
<u>(177,481)</u>	<u>(24,154)</u>	<u>1,514</u>	<u>(81,989)</u>
154,589	24,154	-	178,743
<u>-</u>	<u>-</u>	<u>(79,828)</u>	<u>(278,982)</u>
<u>154,589</u>	<u>24,154</u>	<u>(79,828)</u>	<u>(100,239)</u>
(22,892)	-	(78,314)	(182,228)
<u>23,127</u>	<u>-</u>	<u>102,558</u>	<u>389,368</u>
<u>\$ 235</u>	<u>\$ -</u>	<u>\$ 24,244</u>	<u>\$ 207,140</u>
\$ - \$	- \$	- \$	182,661
<u>235</u>	<u>-</u>	<u>24,244</u>	<u>24,479</u>
<u>\$ 235</u>	<u>\$ -</u>	<u>\$ 24,244</u>	<u>\$ 207,140</u>

CITY OF TOLEDO

Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances

Nonmajor Enterprise Funds

As of and For the Year Ended June 30, 2004

	<u>Water Sinking</u>	<u>Solid Waste</u>	<u>Totals</u>
OPERATING RECEIPTS:			
Charges for services	\$ -	\$ 10,000	\$ 10,000
OPERATING DISBURSEMENTS:			
Business type activities:			
Solid waste	-	25,562	25,562
Excess (deficiency) of operating receipts over (under) operating disbursements	-	(15,562)	(15,562)
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	2,737	255	2,992
Debt service	(74,851)	-	(74,851)
Net nonoperating receipts (disbursements)	(72,114)	255	(71,859)
Excess (deficiency) of receipt over (under) disbursements	(72,114)	(15,307)	(87,421)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	22,169	-	22,169
Operating transfers out	-	-	-
Net other financing sources (uses)	22,169	-	22,169
NET CHANGE IN CASH BALANCE	(49,945)	(15,307)	(65,252)
CASH BALANCE, BEGINNING	95,500	30,270	125,770
CASH BALANCE, ENDING	\$ 45,555	\$ 14,963	\$ 60,518
CASH BASIS FUND BALANCE:			
Reserved:			
Debt services	\$ 45,555	\$ -	\$ 45,555
Unreserved	-	14,963	14,963
Total cash basis fund balance	\$ 45,555	\$ 14,963	\$ 60,518

CITY OF TOLEDO
Schedule of Indebtedness
Year Ended June 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Water revenue	Aug. 1, 1993	2.80-5.40%	\$ 1,455,000
GO bond	May 1, 1997	4.45-5.20%	650,000
Total			
General obligation notes:			
Equipment	Oct 15, 1998	4.45%	\$ 180,000
Street improvement	Jun 19, 2000	4.80-5.40%	711,000
Fire truck	May 21, 2002	4.75%	260,000
Total			
Revenue bonds:			
Water	Feb 14, 1983	5.00%	\$ 587,800
Stamped warrants:			
Swimming pool	Apr 13, 2004	2.25%	\$ 587,800

Schedule3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 85,000	\$ -	\$ 15,000	\$ 70,000	\$ 4,435	\$ -
<u>300,000</u>	<u>-</u>	<u>70,000</u>	<u>230,000</u>	<u>15,273</u>	<u>-</u>
<u>\$ 385,000.00</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ 300,000</u>	<u>\$ 19,708</u>	<u>\$ -</u>
\$ 56,236	\$ -	\$ 29,506	\$ 26,730	\$ 2,504	\$ -
691,000	-	100,000	591,000	36,369	-
<u>257,068</u>	<u>-</u>	<u>3,414</u>	<u>253,654</u>	<u>12,211</u>	<u>-</u>
<u>\$ 1,004,304</u>	<u>\$ -</u>	<u>\$ 132,920</u>	<u>\$ 871,384</u>	<u>\$ 51,084</u>	<u>\$ -</u>
<u>\$ 419,616</u>	<u>\$ -</u>	<u>\$ 53,870</u>	<u>\$ 365,746</u>	<u>\$ 20,981</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 50,651</u>	<u>\$ -</u>	<u>\$ 50,651</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TOLEDO

Bond and Note Maturities

June 30, 2004

Year Ending June 30,	General Obligation Bonds				
	General Obligation Issued August 1, 1993		General Obligation Issued May 1, 1997		Total
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2005	5.10 %	\$ 15,000	5.05 %	\$ 75,000	\$ 90,000
2006	5.20	15,000	5.10	75,000	90,000
2007	5.30	20,000	5.20	80,000	100,000
2008	5.40	20,000		-	20,000
2009		-		-	-
2010		-		-	-
2011		-		-	-
2012		-		-	-
2013		-		-	-
2014		-		-	-
2015		-		-	-
2016		-		-	-
2017		-		-	-
2018		-		-	-
2019		-		-	-
2020		-		-	-
2021		-		-	-
Total		\$ <u>70,000</u>		\$ <u>230,000</u>	\$ <u>300,000</u>

<u>RevenueBonds</u>	
<u>Water</u>	
<u>IssuedFeb.14,1983</u>	
<u>Interest</u>	
<u>Rates</u>	<u>Amount</u>
5.00 % \$	14,564
5.00	15,292
5.00	16,057
5.00	16,859
5.00	17,702
5.00	18,587
5.00	19,517
5.00	20,493
5.00	21,517
5.00	22,593
5.00	23,723
5.00	24,909
5.00	26,154
5.00	27,462
5.00	28,835
5.00	30,277
5.00	<u>21,205</u>
	\$ <u><u>365,746</u></u>

<u>NotesPayable</u>							
<u>GeneralObligation</u>							
<u>Issued</u>		<u>Issued</u>		<u>Issued</u>			
<u>October15,1998</u>		<u>June19,2000</u>		<u>May21,2002</u>			
<u>Interest</u>		<u>Interest</u>		<u>Interest</u>			<u>Total</u>
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>		
4.45% \$	26,730	5.15% \$	100,000	4.75% \$	3,594	\$ 13	0,324
-	-	5.25	130,000	4.75	29,453	159,453	
-	-	5.30	150,000	4.75	30,851	180,851	
-	-	5.35	100,000	4.75	32,317	132,317	
-	-	5.40	111,000	4.75	33,853	144,853	
-	-	-	-	4.75	35,460	35,460	
-	-	-	-	4.75	37,145	37,145	
-	-	-	-	4.75	<u>50,981</u>		<u>50,981</u>
	\$ <u><u>26,730</u></u>		\$ <u><u>591,000</u></u>		\$ <u><u>253,654</u></u>	\$ <u><u>871,384</u></u>	

CITY OF TOLEDO

Schedule of Receipts by Source and Disbursements by
All Governmental Funds

For the Last Four Years

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
RECEIPTS:				
Property tax	\$ 768,290	\$ 888,719	\$ 875,675	\$ 832,994
Tax increment financing collections	64,186	62,259	150,401	194,228
Other city tax	175,149	107,346	88,363	91,930
Licenses and permits	22,974	5,417	6,709	6,067
Use of money and property	24,402	58,807	50,237	85,293
Intergovernmental	227,244	266,451	268,033	258,922
Charges for service	47,774	386,887	402,734	420,974
Special assessments	14,032	24,315	46,757	42,749
Miscellaneous	<u>955,589</u>	<u>384,072</u>	<u>504,524</u>	<u>445,485</u>
Total	<u>\$ 2,299,640</u>	<u>\$ 2,184,273</u>	<u>\$ 2,393,433</u>	<u>\$ 2,378,642</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 370,519	\$ 324,280	\$ 835,609	\$ 340,801
Public works	277,218	267,176	261,986	217,857
Culture and recreation	306,754	216,416	187,961	185,299
Community and economic development	204,155	72,043	207,682	111,412
General government	268,226	274,163	232,168	21,760
Debt service	287,311	432,979	416,644	402,446
Capital projects	962,651	20,683	-	-
Business activities:				
Water	17,562	-	-	-
Sewer	<u>39,747</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,734,143</u>	<u>\$ 1,607,740</u>	<u>\$ 2,142,050</u>	<u>\$ 1,475,424</u>

This information should be read only in connection with the accompanying auditor's report.

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting

To the Honorable Mayor and
Members of the City Council
Toledo, Iowa

We have audited the financial statements of the City of Toledo as of and for the year ended June 30, 2004, and have issued our report thereon dated August 5, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Toledo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the findings were necessarily audited. The findings involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory findings have all been resolved except for item II-J-04 and II-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Toledo's internal control over financial reporting in order to determine our audit ing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Toledo's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design of a control component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, that would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the absence of adequate segregation of duties, described at item I-A-04, is a material weakness.

ignoring operation of one or more of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, that would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the absence of adequate segregation of duties, described at item I-A-04, is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Toledo, and other parties to whom the City of Toledo may report. This report is not intended to be and should not be used by anyone other than these specified users.

lently for the information and use of the officials, other parties to whom the City of Toledo may report. This report is not intended to be and should not be used by anyone other than these specified users.

Clifton Gunderson LLP

Cedar Rapids, Iowa
August 5, 2004

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2004

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

None noted.

REPORTABLE CONDITIONS:

I-A-04 Segregation of duties

Comment - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the City Clerk is responsible for receiving and recording cash receipts, making bank deposits, preparing bank reconciliations, making investment transactions, initiating various non-cash entries to the accounting records, only one authorized signature is required on warrants issued, and there is no rotation of duties or oversight controls in the EDPS system.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The City will review their present internal control procedures and will consider additional review procedures where practical.

Conclusion - The City should segregate duties, to the extent practical, to maintain good internal control. We realize ideal segregation of duties is not completely possible due to the small size of the administrative staff.

Prior year reportable conditions have been resolved except for the reportable condition described above.

CITY OF TOLEDO

Schedule of Findings

Year Ended June 30, 2004

Part II: Findings Related to Statutory Reporting

II-A-04 Official Depositories - A resolution naming the official depository bank has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the Capital Projects and Debt Service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-C-04 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purposes as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense - No expenditures of City money for travel expense of spouses of City officials or employees were noted.

II-E-04 Business Transactions - Business transactions between City officials or employees and the City are detailed as follows:

<u>Name and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Dan Ferris, Council Member Owner of Ferris Construction	Various construction	\$ 90

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member does not appear to represent conflicts of interest since total transactions with the individual totaled less than \$1,500 during the fiscal year.

II-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF TOLEDO

Schedule of Findings

Year Ended June 30, 2004

Part II: Findings Related to Statutory Reporting (continued)

II-H-04 Fund Reporting - Receipts and disbursements for the Employee Benefit Plan is reported separately as a Trust Fund per Chapter 384.6 of the Code of Iowa.

II-I-04 Revenue Bonds - The 1983 water revenue bond resolution provides that revenue bond principal and interest must be paid solely out of the net earnings of the municipal waterworks plant and system. It also provides that a sum equal to one hundred percent of the principal and interest due the succeeding July 1 be deposited in twelve monthly installments prior to such July 1. In addition, the resolution establishes a reserve requirement in an amount equal to the maximum amount of principal and interest coming due in the succeeding fiscal year, deposited in twelve monthly installments equal to ten percent of the aforementioned required sinking fund deposit. As of June 30, 2004, the City has established the depository accounts required by the bond resolution for the water revenue bonds.

II-J-04 Deposits and Investments

Certificates of Deposit - The City did not comply with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy. A certificate of deposit purchased with proceeds of a vehicle acquired by the City as part of drug arrest and conviction is being held by the City Chief of Police. The treasurer of each political subdivision shall at all times keep funds coming into their possession as public money in a vault or safe to be provided for that purpose or in one or more depositories approved pursuant to Chapter 12C.

Recommendation - The City Clerk should be responsible for custody of all certificates of deposit held by the City.

Response - The City will attempt to maintain custody of all certificates of deposit with the City Clerk.

Conclusion - Response accepted.

II-K-04 Compliance with Loan and Grant Agreements

Water Utility System - The City did not comply with the 1983 Water Revenue Bond Resolution requiring the City departments to pay their water utility system for water used at rates established by the City.

Recommendation - The City should comply with Section 14 of the 1983 Water Revenue Bond Resolution which requires the City and City departments to be charged at rates established by the City for water used. The resulting revenues should be accounted for in the same manner as any other revenues derived from the operation of the system.

Response - We will consider this.

Conclusion - Response accepted.

CITYOFTOLEDO

AuditStaff

This audit was performed by:

William E. Murray, CPA, Audit Partner

Jared Kremer, CPA

Andy Johnson

Justin Zimmerman, CPA